

Message Text

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43

ACTION SS-25

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R 161818Z DEC 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7500
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
AMEMBASSY PARIS

C O N F I D E N T I A L LONDON 19343

EXDIS

PARIS FOR SCHWEBEL

E.O. 11652: GDS
TAGS: ENRG KU
SUBJECT: GULF OIL AGREEMENT WITH KUWAIT AND RESERVATION
OF USG RIGHTS

REF: A) SCHWEBEL-KAUFMAN TELCONS; B) KUWAIT 4462;
C) RTATE 254892; D) LONDON 19342

1. GULF OIL-EASTERN HEMISPHERE (TURNER) HAS PROVIDED US
WITH A LETTER CONTAINING A FURTHER DRAFT OF A PROPOSED
STATEMENT BY USG MODIFIED TO CONFORM WITH WORDING OF AC-
TUAL DECEMBER 1 AGREEMENT SIGNED BY GOK AND GULF. TEXT
OF PROPOSED STATEMENT FOLLOWS (LETTERING OURS):
QUOTE: PROPOQED U.S. GOVERNMENT STATEMENT TO KUWAIT
GOVERNMENT (DRAFT, 10 DECEMBER 1975)
A) THE U.S. GMVERNMENT IS GRATIFIED BY THE FACT THAT THE
AGREEMENT BETWEEN THE GOVERNMENT OF KUWAIT ON THE TERMS
OF TRANSFER TO KUWAIT OF PETROLEUM RIGHTS OWNED BY GULF
OIL CORPORATION IN KUWAIT HAS NOW BEEN RATIFIED.
B) THE U.S. GMVERNMENT WELCOMES THE ARRANGEMENTS FOR A
CONTINUING COMMERCIAL RELATIONSHIP BETWEEN KUWAIT AND GUL
OIL CORPORATIMN, AND RECOGNIZES THAT THOSE ARRANGEMENTS
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BEAR SIGNIFICANTLY AND POSITIVELY UPON THE QUESTION OF

COMPENSATION. THE U.S. GOVERNMENT CONSEQUENTLY LOOKS UPON THESE ARRANGEMENTS AS AN INTEGRAL PART OF THE UNDERSTANDING REACHED BY THE GOVERNMENT OF KUWAIT AND GULF OIL CORPORATION WHICH INCLUDES AGREEMENT ON THE TERMS OF TRANSFER TO THE GOVERNMENT OF KUWAIT OF THE REMAINDER OF THE PETROLEUM RIGHTS OWNED BY GULF OIL CORPORATION IN KUWAIT.

C) THE U.S. GOVERNMENT LOOKS FORWARD TO THE IMPLEMENTATION OF THESE ARRANGEMENTS IN ACCORDANCE WITH THEIR PROVISIONS, TO THE MUTUAL BENEFIT OF KUWAIT AND GULF OIL CORPORATION FOR THE TERM OF YEARS SPECIFIED AND ANY EXTENSION THEREOF.

D) IT WILL BE UNDERSTOOD THAT THE U.S. GOVERNMENT RESERVES ITS RIGHTS UNDER INTERNATIONAL LAW IN THIS MATTER PENDING THE ACTUAL IMPLEMENTATION OF THE ARRANGEMENTS IN QUESTION IN ACCORDANCE WITH THEIR PROVISIONS FOR THEIR FULL TERM. END QUOTE.

2. GULF LETTER NOTES ITS NEGOTIATORS WORKED DILIGENTLY AND SUCCESSFULLY TO ELIMINATE ANY REFERENCE TO "NET BOOK VALUE" OR "BOOK VALUE" IN THE AGREEMENT WHEN REFERRING TO COMPENSATION. GULF VIEW AND ACCEPTANCE OF AGREEMENT WAS BASED ON CONCEPT THAT COMPENSATION WAS REALLY THE TOTAL PACKAGE, I.E. INITIAL CASH PAYMENT, DISCOUNTS ON FUTURE CRUDE LIFTINGS, SATISFACTORY SETTLEMENT OF OUTSTANDING FINANCIAL MATTERS AND OTHER VALID CONSIDERATION. THIS POSITION WAS TAKEN TO OFFSET POTENTIALLY BAD EFFECT ELSEWHERE OF ACCEPTING COMPENSATION IN KUWAIT BASED ONLY ON A "BOOK VALUE."

3. GULF LETTER REITERATES ITS BELIEF THAT AN APPROPRIATELY WORDED STATEMENT BY USG, AFTER GOK RATIFIES AGREEMENT, WOULD PROBABLY BE HELPFUL. GULF IS CONTACTING BP TO OBTAIN ITS VIEWS ON THIS DRAFT AND REQUESTING IT CONTACT HMG FOR COMMENTS AND CONSIDERATION OF RELEASING A SIMILAR STATEMENT AFTER RATIFICATION.

4. GULF LETTER CONCLUDES THAT, ALTHOUGH COMPANY HAS NOT DISCUSSED SLIGHT CHANGE IN WORDING WITH ALL CONCERNED, GULF WOULD APPRECIATE OUR REVIEW AND COMMENTS ON DRAFT.
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EMBASSY HAS PASSED ALONG TO GULF NEGATIVE FLAVOR OF COMMENTS REPORTED REFTEL.

RICHARDSON

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Message Attributes

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